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INTER-AMERICAN SYSTEM

by

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INTER-AMERICAN SYSTEM

WHEN President Eisenhower takes off for South America on Washington's Birthday, he will, in a sense, be blazing by air a route that President Franklin D. Roosevelt pioneered by sea nearly a quarter of a century ago. Roosevelt, the first President to visit South America while in office, traveled to Argentina by way of Brazil—with a later call at the capital of Uruguay—to open a conference of the American republics that took the first steps to develop an inter-American system of mutual security.¹ Eisenhower's mission to the same three countries—with a side trip across the Andes to Chile—is for the purpose of building up a fund of good will to facilitate development of instrumentalities for inter-American economic cooperation.²

A White House statement on Jan. 6 said the President hoped that his tour would "publicly reflect his deep interest in all the countries of the New World and encourage further development of the inter-American system." On an earlier trip to Latin America—to attend a meeting in Panama commemorating the 130th anniversary of the first inter-American conference—President Eisenhower joined the heads of 18 other American republics³ in signing the Declaration of Panama, July 22, 1956. One paragraph of the declaration called for "intensification of national and inter-American cooperative efforts to seek the solution of economic problems and to raise the standards of living of the continent."

Since the days of World War II, when cooperation among

¹ Roosevelt sailed from Norfolk on the cruiser *Indianapolis* Nov. 18, 1936; spoke at a joint session of the Congress and Supreme Court of Brazil in Rio de Janeiro, Nov. 27; addressed the opening session of the Inter-American Conference for the Maintenance of Peace, at Buenos Aires, Argentina, Dec. 1; was the guest in Montevideo of the Republic of Uruguay, Dec. 3; and landed at Charleston, S. C., Dec. 15.

² Eisenhower is scheduled to leave Washington Feb. 22 and fly to Ramey Air Force Base, Puerto Rico, for an overnight stop; visit Brasilia, Rio de Janeiro and Sao Paulo, Brazil, Feb. 23-26; fly to Buenos Aires, Argentina, Feb. 26, to Santiago, Chile, Feb. 29, and to Montevideo, Uruguay, Mar. 2; leave Montevideo for Puerto Rico, Mar. 3, and return to Washington Mar. 4. Among those accompanying the President will be most of the members of a National Advisory Committee on Inter-American Relations set up by the White House last November. On the advice of her doctor, Mrs. Eisenhower cancelled plans to make the trip.

³ Colombia and Honduras were not represented at the meeting.

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the countries of the Western Hemisphere reached a high mark, many Latin American leaders and groups have borne a grievance against their big neighbor to the north. Reduction of the high war demand for Latin American food and raw material exports brought economic disruption and hardship to numerous countries in Central and South America. Meanwhile, the United States was distributing billions of dollars in aid of various kinds among European and Far Eastern countries, but comparatively little among fellow members of the American community. Pleas for a larger share of this bounty and for United States participation in various collective economic projects seemed to fall on deaf or unsympathetic ears in Washington.

The Declaration of Panama did not produce enough concrete results to stem growth of widespread popular antagonism toward the United States. When Vice President Nixon visited South America in the spring of 1958, he was greeted with violent displays of hostility in several cities. That experience shocked Washington officialdom into awareness of the need to take vigorous steps to improve relations.

Overtures made soon afterward by President Kubitschek of Brazil for support of his Operation Pan America provided an opportunity to shift ground. The United States joined Latin American countries in careful study of the Brazilian proposals. It then abandoned earlier opposition to establishment of an Inter-American Development Bank and cooperated in organizing and financing that institution. The change of heart thus signified did not prevent worsening of this country's relations with the Castro government in Cuba, but it seemed to bring about an improvement of feeling elsewhere⁴ and so to promise President Eisenhower a warmer welcome in South America than that accorded Nixon two years ago.

BEGINNINGS OF THE PAN AMERICAN MOVEMENT

The elaborate regional organization existing in the Americas today is a product for the most part of only the past few decades. A sense of community between the United States and the Latin American nations was slow to develop. This country's Anglo-Saxon heritage provided no cultural bond with countries whose roots lay in Spain, Por-

⁴ Except possibly in Panama, where unruly crowds demonstrated on the borders of the Canal Zone twice last November to emphasize Panamanian sovereignty over the zone.

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tugal, or France. The disproportionate power of the United States erected a natural barrier to easy relations. Even the geographical factor was not of special importance south of the Caribbean Sea and the Isthmus of Panama.⁵

Shortly after the United States proclaimed the Monroe Doctrine in 1823, Simon Bolivar, liberator of five South American republics, advanced proposals for a continental league or federation in which nations of the Western Hemisphere would join hands to keep out European aggressors and promote commerce with one another. The United States, considering its own warnings to would-be European colonizers sufficient, showed little interest in the conference called by Bolivar to discuss his proposals. Representatives of a handful of Latin American states met at Panama in 1826 and drafted a treaty of confederation, but the instrument never was ratified.⁶

More than 60 years elapsed before the movement for hemisphere-wide cooperation was revived, and then it was the United States that took the initiative. The first of the present series of Pan American (now called Inter-American) conferences assembled in Washington in 1889 when Benjamin Harrison was President and James G. Blaine was Secretary of State. An arbitration treaty was drafted and signed,⁷ but proposals for expansion of inter-American trade drew chief attention. Although a Blaine-sponsored plan for an American customs union (equivalent to the common market of modern parlance) and a plan for a hemisphere development bank were not accepted, the conference took one practical and lasting step. It created the Commercial Bureau of the American Republics, which in 1910 became the Pan American Union.

The second Pan American conference was held at Mexico City in 1901, the third at Rio de Janeiro in 1906, and the fourth at Buenos Aires in 1910, and in each case discussions were confined mostly to economic matters. The fifth conference, scheduled for 1914, was postponed by World War I and did not convene until 1923 in Santiago, Chile. Woodrow Wilson's championship of neutral rights before

⁵ Before the days of air transport, Rio de Janeiro, Buenos Aires and other points below the "bulge" of Brazil were all closer in travel distance to Gibraltar than to New York. The air distance to Gibraltar from Rio (though not from Buenos Aires) also is shorter than to New York.

⁶ Dispatch to Panama of a U.S. delegation with closely circumscribed powers finally was authorized by Congress, but one of the two delegates died on the way and the other arrived too late.

⁷ The arbitration treaty was not ratified.

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the United States entered the war, and a feeling of common danger thereafter, promoted a cooperative spirit in the Western Hemisphere during those years. By 1923, however, the established U.S. policy of intervening in Caribbean countries to restore order or collect debts—a policy based on an extension of the Monroe Doctrine—had begun to cause trouble.

The resultant setback in inter-American relations showed up prominently at Santiago and again in the sixth Pan American conference at Havana in 1928.⁸ At the latter conference Secretary of State Charles Evans Hughes put in a vigorous defense of the right of a nation under international law to protect the lives and property of its citizens in a foreign country which could not itself protect them. But the State Department soon recognized that a change of policy was necessary. During the Hoover administration the interpretation of the Monroe Doctrine that had been used to justify intervention in the Caribbean was revised, and Secretary of State Henry L. Stimson warned American citizens that they would proceed to or remain in danger areas at their own risk.⁹ A foundation thus was laid for the striking developments in hemisphere relationships that were to follow.

ADVANCES UNDER POLICY OF THE GOOD NEIGHBOR

By saying in his first inaugural address that he would "dedicate this nation to the policy of the good neighbor," President Roosevelt on March 4, 1933, set the tone of a new era in the affairs of the American republics. Proof of the administration's sincerity in proclaiming the good neighbor policy was afforded within a matter of months. At the seventh Pan American conference at Montevideo in December 1933, the United States joined the Latin American countries in adopting a Convention on the Rights and Duties of States which declared that "No state has the right to intervene in the internal or external affairs of another." Further proof that this country meant what it said was given the following year, when it relinquished the special treaty right of intervention in Cuba (Platt Amendment) that it had held since 1903.

Spread of fascism in Europe now began to generate fears

⁸ President Coolidge addressed the opening session of the Havana conference, Jan. 16, 1928. He was accompanied to Cuba by Mrs. Coolidge.

⁹ See "Invasion and Intervention in the Caribbean Area," *E.R.R.*, 1959 Vol. II, pp. 544-547.

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of another war, while growing evidence of Nazi penetration in South America emphasized the rise of threats to the New World as well as the Old. The time was at hand for the Western Hemisphere to look to its defenses—to consider preparations for concerted action designed to keep hostilities on the other side of the oceans or, if involvement became inevitable, to make the most effective contribution possible to the waging and winning of war.

Action directed to these ends, and to strengthening of machinery for preserving peace among the American republics themselves, was initiated at the special Inter-American Conference for the Maintenance of Peace, held at Buenos Aires in December 1936. President Roosevelt's journey to Argentina to give the opening address at this conference gave graphic demonstration of the change that had come over U.S. relations with Latin American countries.¹⁰ And the conference, against this background, set in motion a new course in evolution of the inter-American system. Decisions taken there and at succeeding conferences shaped the principles and organization of a comprehensive system of mutual security for the Western Hemisphere.

At Buenos Aires a Declaration of Principles of Inter-American Solidarity and Cooperation stated that "Every act susceptible of disturbing the peace of America affects each and every one of them and justifies the initiation of the procedure of consultation." A convention signed at the conference by all 21 republics made it their obligation to consult together in circumstances menacing their peace from within or without the continent. The purpose of consultation initially was to "coordinate efforts to prevent war." In the event of war between American states, the nations at peace were to consult "in order to exchange views and to seek . . . a method of peaceful collaboration."

Nothing was said at Buenos Aires about consultation after an American republic had become involved in war with a non-American power. Nor was the manner of consultation prescribed. The eighth Pan American conference at Lima in December 1938 filled these gaps. It de-

¹⁰ Roosevelt wrote later: "I was made to feel everywhere that the good neighbor policy of the United States which had been consistently adhered to since March 4, 1933, had dissipated the last vestige of mistrust and suspicion on the part of the other American republics toward the United States, and that there was a real bond of friendship and common interest between us."—*The Public Papers and Addresses of Franklin D. Roosevelt* (Vol. V, 1938), p. 602. The President was not accompanied by Mrs. Roosevelt on the journey to South America.

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clared the determination of the American republics to defend the principles underlying their solidarity "against all foreign intervention or activity that may threaten them." The conference, moreover, provided for consultation through meetings of the foreign ministers of the American republics—consultation for the purpose of making effective their solidarity by use of "measures which in each case the circumstances may make advisable."

Although the Declaration of Lima, in which the conference agreements were incorporated, noted by way of precaution that action by the countries following consultation was to be taken "independently in their individual capacity," fully coordinated moves were intended. Secretary of State Cordell Hull commented later: "The Declaration of Lima . . . affirmed the intention of the American republics to help one another in case of a foreign attack, either direct or indirect, on any one of them. It provided for joint action not only against a military assault but also against the underground infiltration methods pursued by the Axis."¹¹

CONSULTATION AND COOPERATION IN WORLD WAR II

Outbreak of war in Europe in September 1939 put the new inter-American consultation machinery to prompt test. The foreign ministers met at Panama City on Sept. 23 and remained in conference until Oct. 3. They adopted a General Declaration of Neutrality of the American Republics and set up an Inter-American Neutrality Committee and an Inter-American Economic and Financial Advisory Committee to deal, respectively, with neutrality and economic problems raised by the war.

More spectacular was issuance of the Declaration of Panama. The declaration defined a wide "safety belt" around the Americas, extending to sea for an average distance of 300 miles, and warned non-American belligerents to commit no hostile acts within the zone "from land, sea or air." This effort to impose restrictions on vast areas of the high seas involved an unprecedented claim in the field of neutral rights and was soon proved futile. The Declaration of Panama was invoked the following December in a joint protest against the *Graf Spee* action in the South Atlantic, but the protest was rejected and there the matter rested.

¹¹ *The Memoirs of Cordell Hull* (Vol. I, 1948), p. 608.

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Foreign ministers of the American states met for consultation twice more during the war—at Havana in July 1940 after the fall of France and at Rio de Janeiro in January 1942 after Pearl Harbor. The Nazi sweep across Europe aroused fears that Germany would seek to take possession of Dutch and French colonies in the West Indies. The Act of Havana, promulgated July 30, 1940, in effect broadened the Monroe Doctrine into an inter-American policy. It made provision for taking over any Western Hemisphere possession of a non-American nation that was threatened by a change of sovereignty and administering it provisionally under joint inter-American auspices.

The consultative conference at Rio, Jan. 15-24, 1942, aimed to achieve a unanimous break with the Axis powers. Although opposition by Argentina forced a compromise in the language of the resolution recommending severance of diplomatic relations, the conference called for complete rupture of commercial and financial relations with Germany, Italy and Japan; set up an Inter-American Joint Defense Board; authorized a committee to coordinate measures against subversive activities; and provided machinery to forward economic cooperation during and after the war.

The United States had had the general cooperation of Latin America during World War I, but the solidarity manifested in World War II was far more impressive—thanks in part to the instrumentalities developed under the encouragement of the good neighbor policy and in part to widespread recognition of the reality of Axis threats to the security of the whole hemisphere.¹² After the Rio meeting of foreign ministers, the only Latin American countries that did not promptly join those which had already declared war or severed relations with the Axis were Argentina and Chile. Chile broke relations in 1943, but Argentina did not follow suit until 1944. Six South American countries held off from declaring war until forced to do so early in 1945—under pressure applied by President Roosevelt—to win invitations to the organizing conference of the United Nations in San Francisco that spring.

ACT OF CHAPULTEPEC AND RIO DEFENSE TREATY

Argentina, then under the rule of a military junta at outs with the United States, delayed declaring war on Germany and Japan until the end of March 1945 and was thus

¹² See "Latin America and the War," *E.R.R.*, 1942 Vol. I, pp. 3-16.

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barred from a special conference at Mexico City, Feb. 21-March 8, that was limited to the "united and associated American states cooperating in the war effort." The Inter-American Conference on Problems of War and Peace concerned itself mainly with additional measures for war co-operation, with the place of the inter-American system in relation to the future world organization of the United Nations, and with preparations to deal with economic and social questions in the transition from war to peace. In the latter connection, the conference laid down broad principles for future action in an Economic Charter of the Americas and a Declaration of the Social Principles of the Americas.

The Act of Chapultepec, approved at Mexico City, recommended negotiation of a permanent treaty "for the purpose of meeting threats or acts of aggression against any American republic following the establishment of peace." Pending conclusion of this proposed pact of mutual assistance, the act itself provided for consultation on joint application of sanctions, including armed force, in event of threats or acts of aggression against an American state from within or outside the continent.

To carry out the recommendation in the Act of Chapultepec, a special Inter-American Conference for the Maintenance of Continental Peace and Security was convened at Rio de Janeiro on Aug. 15, 1947. The resulting Inter-American Treaty of Reciprocal Assistance, signed Sept. 2 shortly after the delegates had been addressed by President Truman,¹³ set more than one precedent. It was the first regional defense pact concluded under provisions of the United Nations Charter (Articles 51-54) which safeguard "the inherent right of individual or collective self-defense" and specifically authorize "regional arrangements or agencies" to deal with maintenance of peace.¹⁴ The treaty was noteworthy also for putting teeth into the permanent peace machinery of the Americas.

The Rio pact added to the already established obligation of the American republics to consult in menacing situations the obligation to act to restrain an aggressor and aid a

¹³ President Truman, accompanied by his wife and daughter, flew to Rio in the DC-6 *Independence*, making an overnight stop at Trinidad. The Trumans were greeted in the Brazilian capital by a crowd estimated to number a million persons.

¹⁴ J. Fred Rippy, University of Chicago professor, has observed that the major contribution of the Latin American republics to the U.N. Charter was "their insistence on the preservation of the right to utilize regional organizations for security purposes."—*Latin America* (1958), p. 327.

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victim of aggression. The parties to the treaty undertook to consider "an armed attack by any state against an American state . . . as an attack against all the American states" and to "assist in meeting the attack." Immediate consultation was called for in the event of an armed attack or a threat of aggression. And sanctions agreed to by the foreign ministers of two-thirds of the parties to the treaty must be applied by all the parties, "with the sole exception that no state shall be required to use armed force without its consent."

O.A.S. and Initial Postwar Problems

THE NINTH in the regular series of inter-American conferences was held at Bogota, Colombia, March 30-May 2, 1948, for the announced purposes of strengthening the inter-American system and promoting inter-American economic cooperation. The conference had been in session little more than a week when it was interrupted for five days by an outbreak of wild rioting precipitated by the assassination of the leader of the Liberal opposition party. Disorders spread from Bogota to other cities, and it was several days before the government regained control. Secretary of State George C. Marshall, head of the U.S. delegation, accepted the view that Communists engineered the uprising in an effort to break up the conference, but others attributed at least the origin of the trouble to domestic politics. Despite this inauspicious introduction to the labors of a meeting devoted to international amity and cooperation, the Bogota conference carried the inter-American system to a new peak of development.

CREATION OF ORGANIZATION OF AMERICAN STATES

The notable accomplishment at Bogota was a radical overhauling of the agencies, institutions and procedures of the diffuse inter-American system. Three score official and unofficial groups and committees were reordered and combined to form the Organization of American States. The Charter of the O.A.S., drawn up and signed at Bogota, is the constitution of the new organization. The old Pan American Union has become its secretariat. Other O.A.S. organs are the inter-American conference, the consultative

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conference of foreign ministers, the Council, and various specialized conferences and organizations.

Under the Charter the inter-American conference, "supreme organ of the Organization of American States," is supposed to meet once every five years, but provision is made for postponement of sessions on approval of two-thirds of the 21 member governments. The inter-American conference "decides the general action and policy of the Organization and determines the structure and functions of its organs, and has the authority to consider any matter relating to friendly relations among the American states."

The foreign ministers may be called to meet as the "organ of consultation" when matters of an "urgent nature and of common interest" demand consideration. Three of the five meetings of this sort held to date occurred, as noted, before the O.A.S. Charter was adopted. After the Panama, Havana, and Rio meetings, connected with problems of World War II, the foreign ministers held no consultative conference until 1951, when they met in Washington, March 26-April 7, primarily to consider problems posed by international communism. The only consultative conference unrelated to threats from outside the hemisphere was that held at Santiago, Chile, Aug. 12-18, 1959, to consider unrest in the Caribbean area and problems of democracy and human rights in Latin America.¹⁵

The Council of the Organization of American States is in effect the former governing board of the Pan American Union. In continuous session in Washington, the Council is authorized by the O.A.S. Charter to serve as a provisional organ of consultation "in case of an armed attack within the territory of an American state or within the region of security delimited by treaties in force." In addition to being responsible for operation of the entire O.A.S., the Council oversees three quasi-autonomous subsidiary organs: the Inter-American Economic and Social Council, the Inter-American Council of Jurists, and the Inter-American Cultural Council.

More than three and one-half years after the signing of

¹⁵ See "Invasion and Intervention in the Caribbean Area," *E.R.R.*, 1959 Vol. II, pp. 531-541. The foreign ministers issued the Declaration of Santiago, affirming principles of democracy and human rights. At a meeting of the O.A.S. Council on Feb. 8, Venezuela invoked the Declaration of Santiago, as well as the O.A.S. Charter, in pressing formal charges of "patent and flagrant violations of human rights" against the Trujillo regime in the Dominican Republic.

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the O.A.S. Charter it finally went into effect, Dec. 13, 1951, upon deposit of the 14th ratification by Colombia.¹⁶ The last of the 21 nations to ratify, Argentina, did not do so until January 1956, after the overthrow of Peron. It was observed in a recent study of the O.A.S.: "The gradualness of the legal transition from the old to the new is typical of the slow, evolving ways used in the conduct of inter-American affairs. . . . In assessing the inter-American system, one must adopt a long perspective."¹⁷

COMMUNIST QUESTION AT POSTWAR CONFERENCES

Invigoration of the inter-American collective security system after 1945 was stimulated by World War II and represented a consolidation of wartime collaboration. Since the war, the dominant U.S. leadership in inter-American affairs has stressed the threat of international communism, and Latin American nations have been somewhat reluctantly drawn into the cold war. Many Latin Americans have accused this country of preoccupation with continental anti-Communist solidarity and military security at the expense of hemispheric economic cooperation.

The Bogota conference adopted a resolution containing a pledge to proscribe "international communism or any other related totalitarian doctrine." When the American foreign ministers met for consultation in the United States in the spring of 1951, a few months after Red China had intervened in the Korean War, they issued a Declaration of Washington which denounced the "aggressive activities of international communism." The republics exchanged pledges to tighten safeguards against subversive activity without infringing basic human rights. An agreement to promote economic cooperation as "an essential factor in the total concept of hemisphere defense" endorsed price controls and plans for allocation of raw materials to meet as far as possible both defense and civilian needs.

Hemisphere policy on Communist infiltration and economic cooperation came up again at the tenth inter-American conference at Caracas, Venezuela, March 1-28, 1954. The United States won approval of a resolution declaring that "The domination or control of the political institutions of any American state by the international Communist

¹⁶ The ratification of the United States was deposited June 19, 1951.

¹⁷ *The Organization of American States* (study prepared for Senate Committee on Foreign Relations by Northwestern University, Dec. 24, 1959), pp. 6, 47.

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movement, extending to this hemisphere the political system of an extra-continental power, would constitute a threat to the sovereignty and political independence of the American states, endangering the peace of America, and would call for a meeting of consultation to consider the adoption of appropriate action in accordance with existing treaties." Herbert L. Matthews, a newspaper correspondent who has specialized recently in Latin American affairs, has pointed out that "The only value of the Caracas declaration is that if, at some future date a Latin American nation is threatened with a Communist government, the United States has a formal right to call for collective action. We have no formal right to intervene."¹⁸

The 11th inter-American conference, which was to have opened Feb. 1 in Quito, Ecuador, was postponed by the O.A.S. Council in late December 1959 at the request of Ecuador.¹⁹ Gonzalo Escudero, Ecuador's ambassador to the O.A.S., said more time was needed to study agenda topics related to economic cooperation. He said also that Ecuador feared the inter-American conference would interfere with a scheduled February meeting in Montevideo to negotiate a free trade area treaty among seven South American countries. Results of the Montevideo meeting, Escudero suggested, "might well represent a lofty example of what the 11th conference might achieve in the various matters in the chapter on economic affairs on the agenda."

¹⁸ Herbert L. Matthews, "Diplomatic Relations," *The United States and Latin America* (American Assembly, December 1959), p. 167.

¹⁹ A new date for the conference is to be set by the O.A.S. Council on March 30. Political parties in opposition to President Camilo Ponce of Ecuador are reported to want the conference put off until after Ecuador's presidential election on June 5.

Projects for Economic Cooperation

THE REASON more progress has been made in political cooperation than in economic cooperation among the American republics is that the political forces have been cohesive, the economic forces divisive. Political factors making for solidarity have derived from a common attitude toward non-American powers and a belief that all New World countries hold liberty and democracy in high esteem. Factors making for economic cooperation have been few and weak, particularly among the countries of South America.

Except in Central America and the River Plata region of South America, land communication among the republics to the south is obstructed by geographical barriers; most exports and imports must be transported by ocean shipping. Generally speaking, the Latin American nations carry on little trade with each other; rather they compete with each other in the world market for sale of a limited number of primary commodities. In recent years inter-Latin American trade has represented only about 10 per cent of Latin America's external trade.

Because exports play a dominant role, and because since 1953 this country has taken 45 per cent or more of all Latin American exports, conditions in the United States market have a profound influence on the economies of the southern republics. When demand falls off and prices for their raw materials decline, Latin Americans are prone to hold the United States responsible.

Many economists believe that a degree of regional economic integration would enable Latin American nations to diversify their production and expand their markets. Also that greater industrialization and economic specialization could lead to development of prosperous subregional markets within Latin America.

COMMON MARKET SCHEMES IN CENTRAL AMERICA

Regional economic arrangements have been discussed by the O.A.S., but leadership in the effort to bring them about has come from the United Nations Economic Commission for Latin America (E.C.L.A.). U.N. Secretary General Dag Hammarskjöld, addressing the eighth session of the Economic Commission in Panama City last May 14, said the

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idea of a Latin American common market had not sprung from "a sudden and visionary inspiration." Nor had it been primarily influenced by experiments of a similar nature elsewhere. "Rather, it derives from a decade of study and reflection, from the systematic investigation and analysis made in E.C.L.A., with a remarkable continuity of purpose."

A common market is now coming into operation in Central America. It is based on two treaties signed June 10, 1958, by Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador—the Multilateral Treaty of Free Commerce and the Convention for a System of Integrated Central American Industries. The first of these treaties looks to elimination over a period of 10 years of barriers to trade in a limited number of products, and establishment of a standard protective tariff for imports from outside the common market.

The second treaty is designed to stimulate industrialization of Central America by establishing machinery, somewhat along the lines of the European Coal and Steel Community, for the integration of selected industries. New industries would be located in areas where they can best supply the whole region, with the unrestricted privilege of selling throughout the common market. To date the two treaties have been ratified by only three of the five signatories: Guatemala, Nicaragua and El Salvador.

A more far-reaching economic treaty was signed on Feb. 6 by Guatemala, Honduras and El Salvador. The presidents of the three countries had announced, Jan. 9, that they agreed in principle on the wisdom of providing for "a greater integration of their countries' economies." It is believed that the new pact, if ratified and put into effect, will prove a more effective instrument of economic integration than the five-nation arrangement. Guatemala, Honduras and El Salvador account for 80 per cent of Central American foreign trade. The new treaty provides for free flow of capital among the signatory nations and for free transit by their citizens.

After a fact-finding tour of Central America in 1958, Milton Eisenhower discussed the need for regional common markets in a report to the President made public Jan. 4, 1959.

A common market for all 20 republics is, at best, remote [he wrote]. Hence, I attach great importance to the fact that in

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Central America, and possibly in Panama, there is today a favorable attitude toward the construction of a regional common market. . . . I recommend that, after careful preparation . . . , the United States participate with the five republics of Central America, and Panama if possible, in a regional conference, . . . to stimulate public and private lending institutions, and private industrial enterprises, to take a positive approach in helping Central America and Panama to the end that new industries, guaranteed free access to the entire market of the participating countries, would be established; that every effort be made to have this development serve as a model for all Latin America.

The report recommended further that appropriate steps be taken to encourage the northern group of South American countries, and the southern group of South American countries, to consider creation of common regional markets in their respective areas.

PROPOSED FREE TRADE ZONE IN SOUTH AMERICA

More significant than the Central American effort, on the score of size of the market, is the progress being made by seven South American nations in negotiation of an agreement for a free trade zone. The seven nations are Argentina, Bolivia, Brazil, Chile, Paraguay, Peru and Uruguay. A conference, to be held shortly in Montevideo, is expected to bring the signing of a formal treaty to set up the proposed free trade area.

The draft treaty was largely the work of E.C.L.A. under its Secretary General Raul Prebisch, an Argentine economist who has been a strong advocate of the common market idea. At the Panama City meeting of E.C.L.A. last May, Prebisch attacked the popular belief that economic development would be assured by large-scale foreign assistance and high prices for export commodities: "Latin America must recognize that, as large as foreign aid may be and as large as exports may be, it cannot grow nor recuperate unless it makes a sustained effort to create industries of capital goods that it will need in the next quarter century." This, he said, could be achieved efficiently only through a common market rather than through efforts at industrialization by individual nations.

The draft treaty provides for establishment within 12 years of a free trade area which all Latin American countries could join. Members would be required to reduce all tariffs and exchange restrictions in four stages, and finally to eliminate them altogether. Trade barriers would be

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removed partly through reciprocal negotiations on concessions between the contracting parties; partly through establishment of a basic list of items on which restrictions would be eliminated for all contracting parties; partly through multilateral negotiations for gradual expansion of the basic schedule. Contrary to a recommendation by the International Monetary Fund, payments within the free trade area in freely convertible currency would not be required by the present draft treaty.

Although most South American trade with the outside world is now on a convertible currency basis, the Latin countries continue to trade with each other on the basis of bilateral trade and payments agreements, and these have had the effect of restricting multilateral trade. Such bilateral agreements are usually associated with systems of exchange control, import and export licensing, and multiple exchange rates which are often so discriminatory as to cause gross price disparities.

Critics of the failure to require payments in freely convertible currency contend that members of the free trade zone should be permitted to spend their receipts from within the area wherever they wish. It is pointed out that as long as currencies continue to be inconvertible, triangular trade of the classical variety is next to impossible. Moreover, the area's import needs are largely for capital goods and semi-finished as well as finished manufactures, and these are not available at competitive prices except from industrialized countries.

Prof. Raymond F. Mikesell of the University of Oregon, addressing the Washington conference of the Committee for a National Trade Policy, Jan. 28, said:

No payments gimmick can solve the basic problem arising from the overall balance of payments disequilibrium which characterizes most South American countries. . . . I cannot see how the southern zone free trade area can make much progress until (1) members unify their exchange rates and (2) achieve a reasonable degree of overall equilibrium in their balance of payments. . . . There is undoubtedly a danger that Latin American regional arrangements, instead of moving toward a completely free trading area, may amount to little more than a set of preferential arrangements in which each country agrees to provide a substantial margin of preference on goods from other members of the group that it does not produce in significant quantities, in exchange for similar preferences afforded by other members on commodities which it is able to export.

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Mikesell added: "It seems rather doubtful whether real progress can be made . . . without strong financial and political support from the United States. . . . For this reason it is perhaps regrettable that the O.A.S. is not playing a more positive role in the Latin American regional market movement."

OPERATION PAN AMERICA AND COMMITTEE OF 21

The violent attacks to which Vice President Nixon was subjected on his tour of South America in 1958 made Americans realize that all was not well with inter-American relations. And in Latin America pressures for a change in U.S. hemispheric economic policies have continued to build up. According to Herbert L. Matthews:

The trip of Vice President Richard M. Nixon to South America in 1958 was in some ways the most important event in postwar history so far as relations between the United States and Latin America were concerned. It was a watershed, a turning point in the sense that it forced the United States to review and alter some policies. It opened our eyes and at least inaugurated an effort to create an economic Good Neighbor policy. President Juscelino Kubitschek of Brazil gave the effort a name and a set of general principles. "Operation Pan America" is the new rallying cry, and like the Good Neighbor policy it can only acquire meaning as it gets practical implementation.²⁰

President Kubitschek used the occasion of Nixon's embarrassment in Peru and Venezuela to write President Eisenhower, May 28, 1958, that "the hour has come for us to undertake jointly a thorough review of the policy of mutual understanding on this hemisphere." Eisenhower's reply of June 5 proposed consultations between the United States and Brazil to prepare the way for united action by the American republics to promote their common interests and welfare. Kubitschek, in a further exchange of letters with Eisenhower in August 1958, outlined "Operation Pan America"—a proposal for a broad attack on the economic backwardness of Latin America over a period of 20 years—1960-1980. In a memorandum dated Aug. 9, 1958, the Brazilian president offered a six-point program:

1. Expanded and more effective use of private capital—both domestic and foreign—in underdeveloped countries.
2. An increase in easy-term development loans in Latin America through the creation of an inter-American development institution.
3. Measures to fight inflation and encourage domestic savings.

²⁰ Herbert L. Matthews, *op. cit.*, pp. 175-176.

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4. A study of equitable regulations to stabilize markets and prices for Latin America's raw commodities.

5. A study of regional tariff and trade agreements akin to the European common market.

6. Increased technical assistance to train experts for economic development, chiefly in agriculture, engineering, economics, and public administration.

Secretary of State John Foster Dulles was moved by the Kubitschek memorandum to invite the 20 other American foreign ministers to an informal meeting in Washington, Sept. 23-24, 1958. The foreign ministers joined in recommending that, "during the coming period before the 11th inter-American conference, special attention be given to working out additional measures of economic cooperation taking as the point of departure . . . the plan known as 'Operation Pan America.'" For this purpose the O.A.S. Council was asked to set up a special commission, which later became known as the Committee of 21.

The most notable accomplishment of the Committee of 21 has been the drafting of a charter for the Inter-American Development Bank. It has recommended to O.A.S. a number of additional measures for the economic development of Latin America. Among other proposals, the committee advocated intensification of studies directed toward establishment of regional markets in Latin America, and cooperative efforts to find means of controlling excessive fluctuations in commodity prices. These will be considered at the inter-American conference to meet in Quito.

FOUNDING OF INTER-AMERICAN DEVELOPMENT BANK

Latin American leaders have long contended that the United States has given only lip service to projects for economic advancement of its southern neighbors. At the Bogota inter-American conference of 1948, and at O.A.S. economic conferences in Rio de Janeiro in November 1954 and in Buenos Aires in August 1957, the southern republics virtually ganged up to press their demands. The principal things they wanted were (1) establishment of a U.S.-financed inter-American development fund; and (2) participation of the United States, as chief consuming nation, in joint commodity agreements.

When President Kubitschek advanced his Operation Pan America proposal, Washington promised favorable consid-

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eration of a financial institution for the inter-American system. Articles of agreement for an Inter-American Development Bank, drafted by the O.A.S. Committee of 21, were signed April 8, 1959. After congressional approval of U.S. membership, the United States was the first signatory to ratify the agreement, Aug. 8, 1959. The newly organized institution came into being in Washington on Jan. 1, 1960, after nations representing 88 per cent of its promised capital had ratified.²¹

Authorized capital stock of the bank, after all ratifications are completed, will total \$1 billion. Resources of \$150 million are allotted to a Fund for Special Operations, which will make loans repayable in the currency of the borrower. The bulk of the capital, \$850 million, is to be used for hard loans—loans to be repaid in convertible currencies. Latin America will subscribe \$500 million of the authorized capital of the bank, the United States \$350 million. Contributions to the Fund for Special Operations will total \$100 million from the United States and \$50 million from the 20 Latin American republics.

Members of the inter-American bank are to pay in half of their capital subscription quotas, with the other half remaining on call. The paid-in capital will be half in U.S. dollars, half in the members' currencies, with actual payments spread over three years. Twenty per cent of the capital is to be paid in by next September, 40 per cent by September 1961, and the remainder a year later. For the first year or two, loanable resources in dollars will be relatively small. The bank hopes to be able to raise additional funds through sale of its own securities in the world capital market. Because the reception of such securities will depend on the bank's management and operating record, solicitation of private capital is likely to be delayed until experience has demonstrated the credit-worthiness of the new institution.

ISSUE OF COMMODITY STABILIZATION AGREEMENTS

Even more than an inter-American system of financing, the Latin American countries have wanted United States participation in a system of international commodity stabilization agreements. Under such agreements maximum and minimum prices would be set for particular commodities,

²¹ Cuba, Uruguay and Venezuela have not yet ratified the agreement establishing the Inter-American Development Bank.

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thus to protect the southern republics against the economic consequences of extreme fluctuations in prices of their raw materials.²² Coffee provides an important example, as 15 of the 20 Latin American nations produce coffee, and six of them—Brazil, Colombia, Costa Rica, Guatemala, Haiti and El Salvador—live primarily on the returns from coffee exports. Washington's general attitude toward participation in commodity agreements has been that they are usually undesirable, because they interfere with market forces and tend to perpetuate supply-demand imbalances.²³

An agreement to restrict coffee exports, with a view to raising prices, was entered into by seven Latin American coffee-growing countries in October 1957, but it failed to produce the desired results. In January 1958 a meeting in Rio de Janeiro to set up a coffee promotion organization, in the hope of increasing consumption, was attended by a United States observer. Then, in May-June 1958, this country participated with coffee-growing countries in a permanent study group to devise means of improving the international coffee agreement. Several African countries have since signed the agreement to restrict coffee exports.

There seems to be no doubt among experts in the field that economic development of Latin America requires amelioration of wide commodity price swings. Some aspect of this problem has been brought up at most important inter-American meetings of the past decade. It is generally agreed that a cooperative approach to the problem of commodity prices will be needed to cultivate the further development of the inter-American system which President Eisenhower hopes to encourage.

²² See "Economic Relations With Latin America," *E.R.R.*, 1958 Vol. II, pp. 499-501.

²³ The United States is a participant in an international agreement on wheat, a commodity of which it is a leading producer. Quotas and import prices under the Sugar Act, up for renewal this year, are set by the United States alone; foreign producers have no voice in the functioning of this commodity system.



the 1990s, the number of people in the world who are undernourished has increased from 250 million to 800 million (FAO 1996). The number of people who are malnourished has increased from 1.2 billion to 1.6 billion (FAO 1996).

There are a number of reasons why the world's population is becoming increasingly malnourished. One of the main reasons is that the world's population is growing rapidly. The world's population is expected to reach 8 billion by the year 2025 (UN 1994). This means that there will be a need for more food to feed the world's population.

Another reason why the world's population is becoming increasingly malnourished is that the world's food supply is not increasing fast enough to keep up with the growing population. The world's food supply is expected to reach 1.6 billion tonnes by the year 2025 (UN 1994). This is not enough to feed the world's population of 8 billion people.

A third reason why the world's population is becoming increasingly malnourished is that the world's food is not distributed evenly. Some people have more food than they need, while others have less than they need. This is because the world's food is not distributed evenly.

There are a number of ways in which the world's food supply can be increased. One way is to increase the amount of land that is used for growing food. Another way is to increase the amount of food that is produced on the same amount of land. This can be done by using better farming techniques.

There are also a number of ways in which the world's food can be distributed more evenly. One way is to reduce the amount of food that is wasted. Another way is to give food to the people who need it most. This can be done by setting up food banks and other food distribution programs.

There are a number of things that can be done to help reduce the number of people who are malnourished. One thing is to increase the world's food supply. Another thing is to distribute the world's food more evenly. These are the things that need to be done to help reduce the number of people who are malnourished.

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